REMARKS/ARGUMENTS

Amendments

Before this Amendment, claims 1-20 were present for examination. Claims 1 and 11 are amended by this paper, and no claims are canceled or added. Therefore, claims 1-20 are present for examination, and claims 1 and 11 are the independent claims. No new matter is added by these amendments. Applicants respectfully request reconsideration of this application as amended.

Independent claim 1 has been amended to clarify that the method comprises *receiving account identification information* and *receiving a transaction amount*, and claim 11 has been similarly amended. These amendments find support in the specification at least at paragraph [0022] and in Figure 3.

Rejection under 35 U.S.C. § 103(a)

The Office Action has rejected claims 1-20 under 35 U.S.C. §103(a) as being allegedly unpatentable over the cited portions of Berardi et al., U.S. Patent Publ. 2004/0049451 ("Berardi") in view of the cited portions of Langhans et al., U.S. Patent 5,621,201 ("Langhans").

Applicants' claims recite a system and method for determining whether to require a user to enter a secret code (such as a personal identification number, or PIN) into an electronic transaction device for completing selected merchant transactions. A table includes a plurality of merchant categories and transaction threshold amounts for each category. A transaction amount for a transaction is compared with the transaction threshold associated with the merchant at which the transaction is conducted, and the secret code is required if the transaction amount exceeds the threshold.

Claims 1-10

Claim 1 has been amended to recite *wherein the table resides at the electronic transaction device and step (e) is performed by the electronic transaction device, or wherein the*

table resides at a terminal driver and step (e) is performed by the terminal driver, or wherein the table resides at an acquirer processor and step (e) is performed by the acquirer processor, or wherein the table resides at a payment network and step (e) is performed by the payment network. This amendment finds support in the specification at least at paragraph [0038] and in Figure 1.

As the Office Action notes, Berardi does not disclose a table of the kind recited in claim 1, wherein the table *includes a plurality of merchant categories and transaction threshold amounts for each merchant category.* Langhans describes a test to determine if a special dollar limit is imposed on transactions conducted with merchants in certain merchant code groupings, but does not explicitly describe a table of threshold amounts. Langhans also describes the test as being conducted at a "corporate card processor", to which transaction information is passed by a "network, such as a VisaNet network" (Langhans column 6 lines 11-12, column 6 lines 45-47)

Applicants provide that their table and the associated test for whether a PIN should be required for a particular transaction at a particular merchant can reside in the point-of-sale equipment at which transactions are initiated, or in a terminal driver or acquirer processor to which the point-of-sale equipment sends transaction information, or at a payment network which receives the information from the terminal driver or acquirer processor. As is described in Applicants' specification, having the table positioned more closely to the point of sale reduces the number of network communications that must occur. (Specification paragraph [0038]) As such, Applicants' invention as claimed is not disclosed by Berardi and Langhans, and provides a benefit (the reduction in network traffic) not provided or suggested by Berardi and Langhans, even in combination.

This distinction is illustrated by comparing Figure 1 of the present application with Figure 8 of Langhans. Both describe hierarchical arrangements of elements for payment processing (although the two figures are inverted relative to each other). These figures are reproduced below for ease of reference.

Figure 1

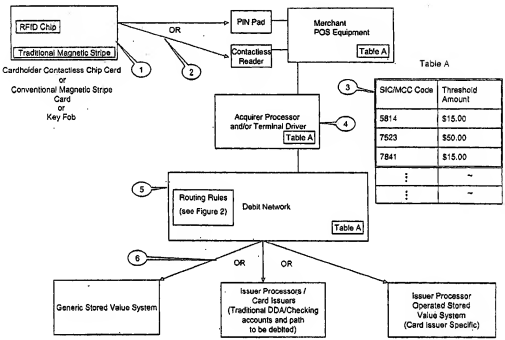

Figure 1 from present application

In the system of the present application, a payment device is received during a purchase transaction at the Merchant POS Equipment, and transaction data is passed to the Acquirer Processor and/or Terminal Driver. The data is then passed to the Debit Network (also referred to as a "payment network") for routing to various Issuer Processors for ultimate transaction approval. (See Applicants' specification paragraphs [0021]-[0031].) Table A and the test for whether a PIN is required may optionally reside in different elements of the system. (Specification paragraph [0038])

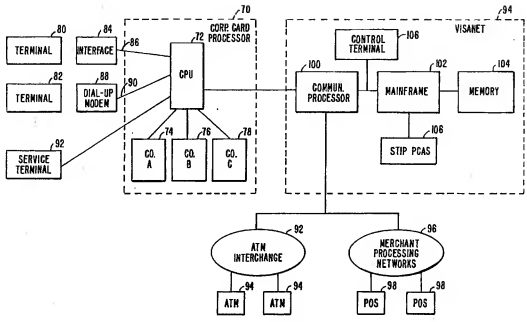

FIG. 8.

Figure 8 from U.S. Patent 5,621,201 (Langhans)

Langhans describes a similar four-level hierarchy. Langhans' POS 98 is analogous to Applicants' Merchant POS Equipment. Langhans' Merchant Processing Networks 96 are analogous to Applicants' Acquirer Processor and/or Terminal Driver. Langhans' Network 94 is analogous to Applicants' Debit Network. Langhans' Corporate Card Processor 70 is in a position in the system analogous to that of the various Issuer Processors in Applicant's representation. (See Langhans column 5 line 62 - column 6 line 34.)

If Berardi and Langhans were to be combined, transaction information would have to travel all the way through the hierarchy just to determine whether a PIN is required, because the Langhans' test of whether a transaction exceeds a merchant-specific threshold resides in the Corporate Card Processor, far removed from the point of sale. Presumably, the transaction would have to traverse all of the hierarchy a second time for ultimate approval of the transaction once the PIN is entered. In Applicants' system, Table A and the corresponding test reside much closer to the point of sale, and therefore the amount of network traffic associated with the test is greatly reduced, and the speed of processing a transaction may be improved.

Because Berardi and Langhans, even in combination, do not teach or suggest all of the limitations of claim 1, claim 1 is believed allowable. Claims 2-9 depend from claim 1 and add further limitations, and are believed allowable for at least this reason.

Furthermore, neither Berardi nor Langhans alone encounters the problem of excessive network traffic that results from their combination. As such, Berardi and Langhans provide no rational basis for modifying them to alleviate this problem in the manner recited in Applicants' claims.

Claims 11-20

Independent claim 11 has been amended in a manner similar to the amendment of claim 1. Claim 11 and its dependents are believed allowable for the reasons given above with respect to claim 1.

Invocation of 35 U.S.C. § 112, sixth paragraph

The Office Action takes the position that the "means for " phrases in claims 11-20 do not invoke 35 U.S.C. § 112, sixth paragraph. Applicants disagree, and note that the claims use the words "means for", that the "means for" is modified by functional language, and that "means for" is not modified by sufficient structure, material, or acts for achieving the specified function. Accordingly, Applicants believe the claim elements containing "means for" language Applicants do invoke 35 U.S.C. § 112, sixth paragraph, and hereby state on the record that they desire that these phrases invoke 35 U.S.C. § 112, sixth paragraph and that the elements in which the "means for" language appears be interpreted as means-plus-function elements.

CONCLUSION

In view of the foregoing, Applicants believe all claims now pending in this Application are in condition for allowance. The issuance of a formal Notice of Allowance at an early date is respectfully requested.

If the Examiner believes a telephone conference would expedite prosecution of this application, please telephone the undersigned at 303-571-4000.

Respectfully submitted,

David W. Boyd

David W. Boyd
Reg. No. 50,335

TOWNSEND and TOWNSEND and CREW LLP
Two Embarcadero Center, Eighth Floor
San Francisco, California 94111-3834
Tel: 303-571-4000
Fax: 415-576-0300
DWB:klb
61464556 v1